

Finance, Revenue & Bonding Committee

Public Testimony of Connecticut Women's Education and Legal Fund (CWEALF)

S.B. 771: *An Act Establishing a Refundable Child Tax Credit*

S.B. 772: *An Act Increasing the Applicable Percentage of the Earned Income Tax Credit*

H.B. 5673: *An Act Concerning the Reformation of Certain Taxes and Tax Equity*

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The Connecticut Women's Education and Legal Fund (CWEALF) is a statewide nonprofit that advocates for and empowers women and girls in Connecticut, especially those who are underserved or marginalized. For nearly fifty years, CWEALF has been a leading advocate for policies that advance the economic security of women across our state and promote gender equity in the workplace.

Through CWEALF's Legal Education Program, we provide information, education, referrals, and bilingual advocacy to the Connecticut community to ensure that all individuals in our state have access to legal justice. The majority of CWEALF's clients are low-income women with at least one dependent who earn incomes less than \$29,000 per year.

CWEALF supports S.B. 771: *An Act Establishing a Refundable Child Tax Credit*, S.B. 772: *An Act Increasing the Applicable Percentage of the Earned Income Tax Credit* and H.B. 5673: *An Act Concerning the Reformation of Certain Taxes and Tax Equity*.

Establishing a Permanent Child Tax Credit and Expanding the EITC:

We urge the Committee to support S.B. 771 which will create a refundable child tax credit against the personal income tax of \$250 per child for up to three children for single filers making up to \$100,000 and married tax filers making up to \$200,000. Connecticut is one of the most expensive states in the nation to raise children and currently the only high cost of living state with an income tax that does not adjust for family size or child care expenses.

Families need targeted relief to help offset the high and rising costs of raising children, remain financially afloat and stay out of poverty. As of January 2023, 68% of families with children struggled to afford household needs, including 87% of low-income households, 78% of Black households and 78% of Hispanic households. A state level child tax credit would support over 600,000 children, including up to 95,000 children living in poverty.

Senate Bill No. 772 will expand the Connecticut Earned Income Tax Credit (CT EITC) from 30.5% of the federal EITC to 40%. The CT EITC benefits working class families in Connecticut who have the highest effective tax rate. Increasing the CT EITC from 30.5% to 40% would provide the average working-class family with two children with a tax credit of

up to \$2,642 annually; an increase of \$627. Expanding the CT EITC also helps the state's economy: research shows that \$1 spent on the EITC increases economic output by \$1.27.

Women and their families need passage of both S.B. 771 and S.B. 772. Connecticut's working-class families are hurt the most by our state's regressive tax system and middle-class families do not fare much better, especially since state tax relief to help offset the high cost of living and raising children in Connecticut currently does not exist. Research shows that income from both the EITC and CTC are critical to every stage of life: children in families receiving the EITC and CTC do better in school and are likelier to attend college, which is linked to higher earnings as adults.¹ Connecticut's tax system makes it more difficult for families to have children and incentivizes families that already have children to leave the state, neither of which is helpful to generating sustained economic growth.

The Earned Income Tax Credit (EITC) and the Child Tax Credit are financial lifelines for many low-income women and a means to prosper and provide for their families. When these tax credits are at risk or end like the federal Child Tax Credit did last year, we as an organization hear first hand of the struggles women face. These supports mean women are provided with a greater financial cushion month to month to ensure that their household's basic needs are met.

Reforming Connecticut's Tax Structure:

CWEALF also supports H.B. 5673 to make Connecticut's tax system fairer by raising revenue through tax increases on the wealthy in order to provide tax cuts for low- and middle-income taxpayers, families with children and seniors.

As the wealthiest state in the country, Connecticut should be an example for the nation where every family has what they need to live a good life. Instead we live in a state where hundreds of thousands of working people struggle to make ends meet and raise their families, even while a handful of wealthy residents and corporations are getting wealthier. Connecticut has the fifth largest wealth gap and our high cost of living is the eighth highest in the country.

Connecticut's tax structure fuels inequity: working people in our state contribute more than 25% of their annual income and state and local taxes while the wealthiest contribute merely 6%. More than 60% of corporations in Connecticut - including those with more than a billion dollars in federal taxable income - contribute nothing or next to nothing in state and local taxes.

The scale of this crisis demands a bold response: Connecticut residents, especially communities of color and people living with low-income, are suffering and our state has the responsibility, as well as the resources, to enact policies that create transformative change.

Lawmakers can level the playing field this session by making the bold investments we need in essential public services, education, health care, housing and municipal aid. House Bill

¹ Center on Budget and Policy Priorities. (2015) Retrieved from:
<https://www.cbpp.org/research/federal-tax/eitc-and-child-tax-credit-promote-work-reduce-poverty-and-support-childrens>

No. 5673 does not include “broad based” tax increases: it is a narrowly focused proposal to restore fairness to Connecticut’s tax code and fully fund the resources needed for communities across the state to survive and thrive. We urge the Committee and lawmakers to support H.B. 5673 to make necessary reforms to Connecticut’s tax structure, as well as S.B. 771 and S.B. 772 to provide the financial relief families need.